

**PX 532**

Message

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**From:** [REDACTED]@ripple.com]  
**Sent:** 3/21/2016 8:52:23 AM  
**To:** [REDACTED]  
**CC:** [REDACTED]@ripple.com>]; Ryan Zagone [Ryan Zagone  
**Subject:** Materials for Ripple<[REDACTED]> call  
**Attachments:** Bank Intro Doc -- XRP II.docx

Hello all,

Please see the attached brief overview of Ripple and its subsidiary XRP II, to support the scheduled call later today.

Look forward to discussing with you all,

--

[REDACTED]  
Controller | Ripple

[REDACTED]  
[REDACTED]@ripple.com | ripple.com





DATE: March 21, 2016

To: [REDACTED]

FROM: [REDACTED]

RE: **Bank Account Request**

#### **Company Overview**

Ripple is a leading developer of real-time payment technology for financial institutions. Ripple delivers licensed software and integration services that enable clients to facilitate settlement of cross-border payments with speed and certainty not previously available. Ripple's solutions are based on blockchain technology.

For its innovative work over the past three years, Ripple has the honor of being:

- recognized by MIT as one of the 50 Smartest Companies (2014),
- elected to the Steering Committee of the Federal Reserve's Faster Payments Task Force,
- awarded the 2015 Technology Pioneer Award by the World Economic Forum.

Ripple consists of 120 employees including experts in financial services, regulation, cyber security, and software engineering.

The company is backed by strategic investors including [REDACTED] and [REDACTED].

Ripple has recruited world class leadership and advisors including:

- Gene Sperling, National Economic Advisory to President Clinton and President Obama,
- Susan Athey, Stanford economics professor and former [REDACTED] Chief Economist,
- [REDACTED] former CEO of the [REDACTED]

#### **Request**

To support Ripple's growth in the near-term, the company is seeking a bank partner to provide a business banking account for a wholly-owned subsidiary: XRP II, LLC. This subsidiary is projected to:

- generate [REDACTED] USD in sales in 2016,
- maintain an average balance of [REDACTED] USD.

Over the coming year, Ripple is evaluating banking relationships for its broader corporate needs, including supporting an upcoming funding round expected to close in 2016.

#### **XRP II, LLC Background**

XRP II, LLC would use this bank account to book revenue and pay operating expenses from its primary business activities: selling digital assets to financial institutions and institutional investors.

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The subsidiary does not engage with consumers or the general public. It has a limited number of customers (approximately [REDACTED] per month) who are subject to Ripple's formal KYC and customer due diligence processing. XRP II, LLC has low transaction volume [REDACTED] at a high dollar value. In 2015, the average monthly transactions totaled approximately \$800,000 USD.

XRP II, LLC is projected to generate approximately \$18 million USD in revenue in 2016 and is expected to maintain an average account balance of [REDACTED] USD.

XRP II, LLC has no consumer or agency relationships. All funds held in the account will be those of XRP II, LLC.

### **What is a Digital Asset?**

Over the past several years, the financial services and regulatory communities have intensely watched the emergence of virtual currencies. Virtual currencies are tools marketed to consumers to be used as a replacement for government-issued money.

The use of virtual currencies in this way raises many consumer protection, monetary policy, and money laundering issues. Ripple recognizes these challenges and is chartering the development of a new tool: the digital asset.

A digital asset is an operational tool used by the financial institutions within a payment network. Ripple features a digital asset called XRP, which is used by banks and FX liquidity providers for two distinct purposes:

#### ***1. Security Mechanism***

Financial institutions have long faced the cyber threat of denial of service attacks. With no way to effectively stop a denial of service attack, a financial institution must wait for the attack to end before its website becomes functional again.

This threat is not acceptable in the important infrastructure of a payment network, such as Ripple. Ripple deploys a digital asset, XRP, as a "postage stamp" for payments sent across the network. XRP adds a small cost to each payment, making a denial of service attack prohibitively expensive. In this way, XRP serves as a security mechanism within the network to ensure operational resiliency of the system.

#### ***2. Liquidity Tool***

XRP can also be used as by liquidity providers and FX desks at financial institutions as a bridge between fiat currencies. The Ripple network enables real-time settlement between currencies. For established currencies, there is ample liquidity. However, for currencies that are not frequently traded, there may not be a liquid market. To support liquidity in these markets, FX providers can quote currency exchange using XRP as a bridge between fiat currencies. In this way, XRP enables conversion between many currencies to occur efficiently.

XRP II, LLC is the Ripple subsidiary that sells the digital asset to financial institutions and institutional investors who provide currency liquidity. This subsidiary would use the bank account to deposit the proceeds of these transactions.

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XRP as a digital asset is not used by consumers and is not a replacement for government-issued money. Therefore, it does not carry the same risks as a virtual currency. Rather, it is an operational tool used by financial institutions to ensure security and liquidity within the payment network. The distinction between virtual currencies and digital assets is taking root with both financial institutions and regulators.

#### **Legal and Regulatory**

XRP II, LLC is domiciled in South Carolina and is registered with FinCEN as a money service business.

XRP II, LLC is a regulated entity, having applied for a Bitlicense in the state of New York in August 2015. XRP II, LLC currently has a safe harbor under New York Department of Financial Services to operate while its license application is being reviewed. The application required key consumer protection, anti-money laundering compliance, and cyber security rules tailored for virtual currency and digital asset companies.

XRP II, LLC has a robust BSA/AML/OFAC compliance program, policies, and implementing procedures. The company has a strong BSA team, including a qualified BSA Officer with over 15 years of banking and BSA consulting experience.

The BSA/AML/OFAC program is firmly in place, requiring Know Your Customer, customer due diligence, and enhanced due diligence for all customers and 25% beneficial owners prior to account opening. The program includes ongoing transaction monitoring, investigations, and reporting.

Independent annual BSA audits of XRP II, LLC have not identified any issues.

We are happy to provide copies of our policies and procedures, along with any documentation needed, for you to carry out thorough due diligence on XRP II, LLC.

Please let us know if we can assist with any questions.

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